REFLEX MEDIA, INC & ANOR v. ENDEAVOR STANDARD SDN BHD & ANOR

HIGH COURT MALAYA, KUALA LUMPUR
ADLIN ABDUL MAJID J
[CIVIL SUIT NO: WA-22IP-2-02-2023]
24 MARCH 2025

Abstract – *With the ubiquitous nature of the internet and rapid technological developments, cross-border online commercial activities and transactions have become the norm. The question in this case is related to whether a party's presence in a foreign jurisdiction can be established where the party operates a domain address or website which leads to commercial dealings between the party and residents of that foreign jurisdiction. It is an established principle that the court of a foreign country would have jurisdiction over a party, that has enjoyed the benefits arising out of his presence in that jurisdiction, albeit, not physically. The party cannot evade responsibilities and obligations which follow from that presence and must be taken to be amenable to the process of the courts in that foreign jurisdiction.*

CIVIL PROCEDURE: *Judgments and orders – Enforcement of – Plaintiffs sought to enforce judgment obtained in United States of America ('US') court against Malaysian defendants – Defendants operated domain addresses and websites – Complaint against defendants for trademark infringement, false advertising and unfair competition in respect of plaintiffs' trademarks – Whether judgment of foreign court could be enforced in Malaysia – US not listed in First Schedule of Reciprocal Enforcement of Judgments Act 1958 – Whether Malaysian conflict of law rules applicable – Whether defendants carried on business in foreign jurisdiction – Whether established presence in US – Whether cause of action had real and substantial connection with US court – Whether US court acted ultra vires in granting damages – Whether statutory damages within range under US law – Whether damages contravened public policy – Whether penal in nature – Courts of Judicature Act 1964, s. 23(1)*

The issue that arose for the court's determination in this case was whether a party's presence in a foreign jurisdiction can be established where the party operates a domain address or website which leads to commercial dealings between the party and residents of that foreign jurisdiction. This question arose in the plaintiffs' application filed, under O. 14A and/or O. 33 r. 2 of the Rules of Court 2012 ('ROC'), for questions to be determined by the court without a full trial ('O. 14A application'). The first plaintiff was a corporation incorporated in Nevada, United States of America ('US') whilst

the second plaintiff was a corporation incorporated in Singapore and was the registered owner of trademarks registered in the US. The first defendant, incorporated in Malaysia, owned and operated online dating platforms, and the second defendant was a director of the first defendant. The plaintiffs filed a suit against the defendants ('US Suit') at the US District Court for the Central District of California ('US Court') for trademark infringement, false advertising and unfair competition in respect of, amongst others, the defendants' use of the plaintiffs' trademarks ('plaintiffs' complaint'). The plaintiffs' complaint was served on the defendants in Malaysia pursuant to an order granted by the US Court. The defendants did not defend themselves in the US Suit, and subsequently, the US Court entered a default judgment against the defendants ('US judgment'). The US judgment was served on the defendants in Malaysia. The defendants had not satisfied the US judgment. The questions of law agreed by the parties for the court's determination were: (i) in determining whether a foreign court has jurisdiction over a defendant against whom a judgment issued by the said foreign court is sought to be enforced in Malaysia, whether the Malaysian conflict of law rules or the laws of the said foreign country are to be applied ('question 1'); (ii) in the event the Malaysian conflict of law rules are to be applied in determining the issue of jurisdiction of the foreign court, is the requirement of the defendant's presence in the foreign jurisdiction satisfied by virtue of the defendant's commercial and/or transactional relationship with the residents of the said foreign country through the defendant's operation of its domain addresses and/or websites which were accessible by the residents of the said foreign country ('question 2'); and (iii) whether the US judgment was enforceable in Malaysia having regard to the nature of the statutory damages awarded by the US Court ('question 3').

Held (allowing plaintiffs' claim with costs; enforcing US judgment against defendants):

(1) The US judgment was issued by a court in the US and, as the US was not one of the jurisdictions listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958, the plaintiffs filed this action to enforce the US judgment against the defendants in Malaysia. The parties agreed that the private international law rules of Malaysia or, in other words, the common law rules applied in Malaysia, were applicable in determining whether a foreign court has jurisdiction over a defendant in respect of the enforcement of a foreign judgment in Malaysia. (paras 20 & 24)

(2) According to r. 47 of *Dicey, Morris and Collins on the Conflict of Laws*, the court of a foreign country has jurisdiction to give judgment capable of enforcement or recognition as against the person against whom it was given, *inter alia*, if the person against whom the judgment was given was, at the time the proceedings were instituted, present in the foreign

country. For a corporation to be present in a foreign jurisdiction, the corporation must carry on business within that jurisdiction, and 'carrying on business' means that the corporation has established and maintained a fixed place of business for more than a minimal period of time. Even if the corporation does not have a fixed place of business within the foreign jurisdiction, it may still be regarded as being present in that jurisdiction if its agent or representative is carrying on the corporation's business within that jurisdiction for more than a minimal period of time. (paras 27 & 40)

(3) Common law continues to evolve to address the legal challenges brought about by the advancements of the internet and digital technologies that resulted in many businesses having online presence, or even functioning entirely through electronic mediums. While the courts recognise that businesses are operating across borders, without having any physical presence in jurisdictions where they are conducting business or entering into commercial transactions, the starting point under common law that an entity must be carrying on business in a foreign jurisdiction, for its presence to be established in that jurisdiction, did not change. It is only the scope of what entails the carrying on of business in a foreign jurisdiction that must change, to adapt to the new commercial realities of today's digital and globalised world. Ultimately, the extent to which the commercial activities of a party not present in a particular jurisdiction would qualify as the carrying on of the party's business in the jurisdiction is a question of fact. (paras 41, 42, 52, 56 & 60)

(4) To further refine the principle that a party need not have a physical place of business to establish its presence in a foreign jurisdiction, the court considered the test of 'a real and substantial connection' between the cause of action and the foreign court. This test is not an alien concept as it is set out in s. 23(1) of the Courts of Judicature Act 1964 ('CJA'). Based on these considerations, the jurisdiction of a High Court to try civil proceedings is established in circumstances where the cause of action and the facts of the case occurred within the jurisdiction of the High Court. This is consistent with the principle that the cause of action and the facts of the case have a real and substantial connection with the High Court hearing the case. The plaintiffs' cause of action against the defendants for infringement of the plaintiffs' trademarks had a real and substantial connection with the US Court. (paras 62, 64, 65 & 75)

(5) The court's recognition of the defendants' presence in the US which ultimately resulted in the enforcement of the US judgment, which was related to trademark infringement, was not a violation of public policy in Malaysia. The defendants, although were not physically present in the US, had carried on commercial activities and entered into transactions

with the US residents which supported their business, and thus established their presence in the US. As the plaintiffs' trademarks were registered in the US and, as trademark rights are territorial, the most appropriate forum to decide and enforce the plaintiffs' exclusive rights in the plaintiffs' trademarks in respect of the defendants' use of the same would be the US Court. The court thus answered question 2 in the affirmative. (paras 69, 73, 75 & 76)

(6) The statutory damages awarded by the US Court were within the range of possible damages under the US law and the US Court had not acted *ultra vires* in granting the damages. The defendants' argument that the US judgment could not be enforced due to the penal nature of the statutory damages; and that the damages was in contravention of public policy in Malaysia, was unsustainable. The statutory damages were awarded in connection with the plaintiffs' civil claim against the defendants and not founded upon public law. As such, the statutory damages could not be said to be penal in nature. Further, the US judgment, founded on a cause of action based on private law, and between private litigants, could not be refused on the basis that the statutory damages were penal in nature, as the judgment was not entered in respect of a breach of public law. (paras 82, 83, 85 & 90)

(7) The statutory damages, awarded for infringement of intellectual property rights, were pre-established damages specifically provided for under art. 45 of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ('TRIPS Agreement'). As Malaysia was a signatory of the TRIPS Agreement, the enforcement of a type of remedy provided for under the TRIPS Agreement could not be said to be against Malaysian public policy. The Malaysian legislative framework for intellectual property also allows damages over and above compensatory damages to be awarded. Further, as the defendants failed to raise any issue in the US Court, they could not now challenge the probity of the statutory damages awarded in accordance with the US law before this court. Question 3 was thus answered in the affirmative. (paras 91-94)

Case(s) referred to:

Adams v. Cape Industries Plc [1991] 1 All ER 929 ***(refd)***
Beals v. Saldanha [2003] 3 SCR 416 ***(refd)***
Benefit Strategies Group Inc v. Prider [2005] SASC 194 ***(refd)***
Carrick v. Hancock [1895] 12 TLR 59 ***(refd)***
Dow Jones & Company Inc v. Gutnick [2002] 194 ALR 433 ***(refd)***
Facebook Inc v. Australian Information Commissioner & Anor [2022] FCAFC 9 ***(refd)***
Humpuss Sea Transport Pte Ltd (In Compulsory Liquidation) v. PT Humpuss Intermoda Transportasi TBK [2016] SGHC 229 ***(refd)***
Huntington v. Attril (Ontario) [1892] UKPC 7 ***(refd)***
Jan De Nul (Malaysia) Sdn Bhd & Anor v. Vincent Tan Chee Yioun & Ors [2019] 1 CLJ 1 FC ***(refd)***

Littauer Glove Corporation v. FW Millington (1920) Ltd [1928] 44 TLR 746 ***(refd)***
Lucasfilm Ltd v. Ainsworth [2009] EWCA Civ 1328 ***(dist)***
Nagravision SA v. Zhuhai Gotech Intelligent Technology Co Ld [2018] HKCU 2307 ***(refd)***
Okura & Co Ltd v. Forsbacka Jernverks Aktiebolag [1914] 1 KB 715 ***(refd)***
Pembinaan SPK Sdn Bhd v. Conaire Engineering Sdn Bhd-LLC & Anor And Another Appeal [2023] 3 CLJ 677 FC ***(refd)***
PT Sandipala Arthaputra v. Muehlbauer Technologies Sdn Bhd [2021] 9 CLJ 484 HC ***(refd)***
Re Gebo Investments (Labuan) Ltd v. Signatory Investments Pty Ltd & Ors [2005] NSWSC 544 ***(refd)***
SA Consortium General Textiles v. Sun And Sand Agencies Ltd [1978] 1 QB 279 ***(refd)***
Schibsby v. Westenholz [1870] LR 6 QB 161 ***(refd)***
See Hua Daily News Bhd v. Tan Thien Chin & Ors [1985] CLJU 131; [1985] 1 LNS 131 SC ***(refd)***
Valve Corp v. Australian Competition And Consumer Commission [2017] FCAFC 224 ***(refd)***

Legislation referred to:
Copyright Act 1987, s. 37(1)(d)
Courts of Judicature Act 1964, s. 23(1)
Reciprocal Enforcement of Judgments Act 1958, First Schedule
Rules of Court 2012, O. 14A, O. 33 r. 2
Trademarks Act 2019, s. 56(3)(d), (7)(c)

Other source(s) referred to:
Adrian Briggs, *The Conflict of Laws*, 3rd edn, 2013, p 167
Dicey, Morris and Collins on the Conflict of Laws, 16th edn, 2022, para 14-059
Halsbury's Laws of Malaysia, Conflict of Laws, vol 3(2), 2015 reissue, para 90.031
RH Hickling, Wu Min Aun, *Conflict of Laws in Malaysia,* 1995, p 102

For the plaintiffs - Teo Bong Kwang, Eugene Ee Fu Xiang & Jessica Chong Jun-Xin; M/s Wong Jin Nee & Teo
For the defendants - Timothy Siaw, Hon Yee Neng & Ivan Lai Jiashen; M/s Shearn Delamore & Co

Reported by S Barathi

JUDGMENT

Adlin Abdul Majid J:

Introduction

[1] With the ubiquitous nature of the internet and rapid technological developments, cross-border online commercial activities and transactions have become the norm. The question before this court is therefore highly relevant to today's way of doing business – namely, whether a party's presence in a foreign jurisdiction can be established where the party operates a domain address or website which leads to commercial dealings between the party and residents of that foreign jurisdiction.

[2] This question arose in the plaintiffs' application filed under O. 14A and/or O. 33 r. 2 of the Rules of Court 2012 ("ROC"), for questions to be determined by the court without a full trial ("O. 14A application"). The parties agreed on the questions, which are set out in a consent order in encl. 112 ("consent order").

[3] The court answered the question in the affirmative, and found that the defendants, who entered into commercial transactions with residents of the United States of America ("US") through their websites, had sufficiently established their presence in the US, and that the US Court had jurisdiction over the defendants. Following this finding, the court enforced the judgment obtained in the US Court against the defendants for infringement of the plaintiffs' trademarks.

Background Facts

[4] The first plaintiff is a corporation incorporated in Nevada, US. It operates several online dating websites, including www.Seeking Arrangement.com ("seeking arrangement website").

[5] The second plaintiff is a corporation incorporated in Singapore. It is the registered owner of the following trademarks registered in the US which are used by the first plaintiff in conjunction with the operation of several websites, including the seeking arrangement website:

(i) "mutually beneficial relationships", with US trademark registration no. 3,736,566; and

(ii) "relationship on your terms", with US trademark registration no. 4,851,998

(collectively, the "plaintiffs' trademarks").

[6] The first defendant is a company incorporated in Malaysia. It owns and operates the domain addresses and websites found at www.TheSugarBook.com ("sugar book website") and www.Sugarficial.com (collectively, the "defendants' websites"). The defendants' websites are online dating platforms for people to meet, connect and build relationships, similar to the seeking arrangement website.

[7] The second defendant is a director of the first defendant.

[8] On 23 March 2018, the plaintiffs filed a suit against the defendants ("US Suit") at the US District Court for the Central District of California ("US Court") for trademark infringement, false advertising and unfair competition in respect of, amongst others, the defendants' use of the plaintiffs' trademarks on the sugar book website ("plaintiffs' complaint").

[9] The plaintiffs' complaint was served on the defendants in Malaysia pursuant to an order dated 4 December 2018 granted by the US Court. The defendants did not defend themselves in the US Suit, and on 30 August 2019, the US Court entered a default judgment against the defendants ("US judgment") and ordered them to, amongst others, pay the following sums to the plaintiffs:

(i) statutory damages in the sum of USD4,000,000;

(ii) attorneys' fees in the sum of USD83,600; and

(iii) costs in the sum of USD3,122.

[10] The US judgment was served on the defendants in Malaysia. The defendants have not satisfied the US judgment.

Proceedings In Malaysia

[11] There are two processes to enforce a foreign judgment in Malaysia. The first is by way of the Reciprocal Enforcement of Judgments Act 1958 ("REJA"), which only applies where a foreign judgment is obtained from one of the jurisdictions listed in the First Schedule of the REJA. In such a case, an application can be made to the High Court to register the foreign judgment.

[12] If the foreign judgment is not obtained from one of the reciprocating countries in the REJA, then the party seeking to enforce the judgment is required to file an action in common law in Malaysia upon the judgment (see *See Hua Daily News Bhd v. Tan Thien Chin & Ors* [1985] CLJU 131; [1985] 1 LNS 131; [1986] 2 MLJ 107 and *Pembinaan SPK Sdn Bhd v. Conaire Engineering Sdn Bhd-LLC & Anor And Another Appeal* [2023] 3 CLJ 677; [2023] 2 MLJ 324).

[13] As the US judgment was issued by a court in the US, and the US is not one of the jurisdictions listed in the First Schedule of the REJA, the plaintiffs commenced this action to enforce the US judgment against the defendants in Malaysia.

[14] In the course of proceedings, the plaintiffs filed the O. 14A application, for this suit to be disposed of by way of a determination by the court of the proposed questions set out in the Schedule of the application.

[15] The O. 14A application is filed under O. 14A and/or O. 33 r. 2 of the ROC. Order 14A allows the court to determine any question of law arising in any cause or matter without a full trial of the matter. Under O. 33 r. 2, the court may order any question or issue arising in a cause or matter to be tried before, at or after the trial of the cause or matter.

[16] The parties consented to this suit being disposed of under O. 14A and/or O. 33 r. 2 of the ROC, and entered into an amended consent order in encl. 112 ("consent order"). Under the consent order, the parties consented to the questions in the Schedule of the consent order being determined without a full trial ("questions").

The Questions

[17] The questions, as agreed between the parties and set out in the Schedule of the consent order, are as follows:

(i) in determining whether a foreign court has jurisdiction over a defendant against whom a judgment issued by the said foreign court is sought to be enforced in Malaysia, whether the Malaysian conflict of law rules or the laws of the said foreign country are to be applied ("question 1");

(ii) in the event the Malaysian conflict of law rules are to be applied in determining the issue of jurisdiction of the foreign court, is the requirement of the defendant's presence in the foreign jurisdiction satisfied by virtue of the defendant's commercial and/or transactional relationship with the residents of the said foreign country through the defendant's operation of its domain addresses and/or websites which are accessible by the residents of the said foreign country ("question 2"); and

(iii) whether the US judgment is enforceable in Malaysia having regard to the nature of the statutory damages awarded by the US Court ("question 3").

Question 1: Do The Malaysian Conflict Of Law Rules Apply In The Determination Of The Jurisdiction Of A Foreign Court?

[18] The answer to question 1 has been agreed by the parties. The parties agree that the Malaysian conflict of law rules apply in the determination of whether a foreign court has jurisdiction over a defendant, against whom a judgment issued by the said foreign court is sought to be enforced in Malaysia.

[19] Although this question has been answered by the parties, I will nonetheless briefly consider the question and examine the parties' reasoning which had led them to conclude that the Malaysian conflict of law rules apply.

[20] The US judgment was issued by a court in the US, and as the US is not one of the jurisdictions listed in the First Schedule of the REJA, the plaintiffs filed this action to enforce the US judgment against the defendants in Malaysia. The Federal Court in *Pembinaan SPK* explained the process of enforcement of a foreign judgment that does not fall within the REJA regime:

[12] While REJA serves to facilitate direct execution of foreign judgments, it is only in respect of those reciprocating countries listed in the First Schedule to the Act. **The right to sue in common law upon a judgment obtained in another jurisdiction nevertheless, remains.** Of course, a claimant can always opt to sue upon the underlying cause, be it in tort, contract or for any other complaint without relying on the foreign judgment.

[13] **At common law, a foreign judgment is treated as an implied obligation to pay a debt, that debt being the sum awarded by the foreign court.** Sans REJA, that foreign judgment cannot be enforced as a judgment. **That foreign judgment only creates a debt between the same parties. It provides a cause of action on which the debtor can be sued on our shores.** It is the judgment that is obtained from our courts and not the foreign judgment that is enforceable as a judgment in this country. (emphasis added)

[21] In an action to enforce a foreign judgment, the High Court held in *PT Sandipala Arthaputra v. Muehlbauer Technologies Sdn Bhd* [2021] 9 CLJ 484; [2021] MLJU 1063 that the common law rules apply:

[9] *Foreign judgments obtained in countries other than the countries listed in the First Schedule, have to be enforced through the common law rule.* The foreign judgment provides the cause of action itself. In order for the foreign judgment to have the force of law locally, the judgment creditor is required to obtain a local judgment recognizing the foreign judgment in Malaysia. Armed with the local judgment recognising the foreign judgment, the judgment creditor could now enforce the local judgment just like any judgement creditor enforcing a judgment in Malaysia. *It is said that "the foreign judgment, if it satisfies the requirement of the common law, is understood to create an obligation, a tie of law, by which the parties are bound and which may be enforced"* (see *Adrian Briggs, The Conflict of Laws*, 4th Ed, Clarendon Law Series, 2019, 131).

...

[36] This Court is of the considered view that the law in relation to enforcement of a foreign judgment by way of statutory enforcement is not the same with the common law rule for recognition of foreign judgments. Each has its own set of rules. The former is a statute law, and its principles are expounded by local cases. *The latter is purely based on the English common law rule that has been applied in Malaysia.* (emphasis added)

[22] After referring to the judgment of the Singapore High Court in *Humpuss Sea Transport Pte Ltd (In Compulsory Liquidation) v. PT Humpuss Intermoda Transportasi TBK & Anor* [2016] SGHC 229; [2016] 5 SLR 1322, the court in *PT Sandipala* further held at para. [14] that the considerations to be taken by the court in the enforcement of a foreign judgment under the common law rules are:

A (i) whether the foreign judgment is a final and conclusive judgment;

(ii) whether the foreign court has jurisdiction which is in accord with the private international law of Malaysia; and

(iii) whether there is any defence to its recognition.

B **[23]** It has also been highlighted in leading textbooks that the question of whether a foreign court has jurisdiction must be determined in accordance with the private international law of the forum court recognising the judgment:

C (i) *Dicey, Morris and Collins on the Conflict of Laws* (16th edn, 2022) ("*Dicey*"), at para. 14-059:

> A fundamental requirement for the recognition or enforcement of a foreign judgment in England at common law is that the foreign court should have had jurisdiction according to the English rules of the conflict of laws ...

D (ii) *RH Hickling, Wu Min Aun, Conflict of Laws in Malaysia* (1995), at p. 102:

> ... at common law, a Malaysian court will enforce a foreign judgment only if:
>
> (a) The foreign court had jurisdiction by Malaysian conflict of law rules, and
>
> E (b) The judgment is final and conclusive, and if *in personam*, is for a definite sum of money that is a not a tax, fine or other penalty.

F (iii) Adrian Briggs, *The Conflict of Laws* (3rd edn, 2013), at p. 167:

> A judgement will be recognized at common law if it is the final and conclusive decision of a court which, as a matter of English private international law, had "international jurisdiction", and as long as there is no sustainable defence to its recognition.

G **[24]** In view of the clear authorities set out above, I accept the answer to question 1 which was agreed by the parties, that the private international law rules of Malaysia or in other words the common law rules applied in Malaysia, are applicable in determining whether a foreign court has jurisdiction over a defendant in respect of the enforcement of a foreign judgment in Malaysia.

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Question 2: Is The Requirement Of Presence In A Foreign Jurisdiction Satisfied Where Commercial Transactions Are Carried Out Through Websites?

The General Position

I **[25]** Question 2 is the question which is of most serious contention between the parties. In this question, the court is required to determine whether a

defendant's presence in a foreign jurisdiction is satisfied by virtue of the defendant's commercial and/or transactional relationship with residents of the foreign jurisdiction through domain name addresses or websites.

[26] The general position at common law on the establishment of the jurisdiction of a foreign court is set out in *Dicey*, r. 47, at para. 14R-058. This position was referred to in para. [21] of *PT Sandipala*.

[27] According to r. 47 of *Dicey*, the court of a foreign country has jurisdiction to give judgment capable of enforcement or recognition as against the person against whom it was given, in the following cases:

> *First Case – If the person against whom the judgment was given was, at the time the proceedings were instituted, present in the foreign country. For a natural person this requires physical presence in the territory, and for a legal person it requires a fixed place of business in the territory.*
>
> Second Case – If the person against whom the judgment was given was claimant, or counterclaimed, in the proceedings in the foreign court.
>
> Third Case – If the person against whom the judgment was given, submitted to the jurisdiction of that court by voluntarily appearing in the proceedings.
>
> Fourth Case – Subject to Rule 58, if the person against whom the judgment was given, had before the commencement of the proceedings agreed, in respect of the subject matter of the proceedings, to submit to the jurisdiction of that court or of the courts of that country.
>
> (emphasis added)

[28] The first case relates directly to question 2. Applying the first case to the matter before this court, the defendants, against whom the US judgment was given must have been present in the US when the proceedings against them were instituted.

[29] The requirement for the defendants to have presence in the US is not disputed by the parties. The issue in dispute is whether this presence is satisfied by virtue of the defendants' commercial and/or transactional relationship with US residents through the operation of the defendants' websites, which are accessible by US residents.

[30] In assessing this issue, I considered the reason for the long-accepted principle that the court of a foreign country would have jurisdiction over a party present in that country – which is that the party would be able to enjoy the benefits arising out of his presence in that jurisdiction. As such, that party cannot then evade responsibilities and obligations which follow from that presence, and must be taken to be amenable to the process of the courts in that foreign jurisdiction.

[31] This has been expressed by the English courts in various cases. In *Schibsby v. Westenholz* [1870] LR 6 QB 161, it was held that:

> ... if the defendants had been at the time when the suit was commenced resident in the country, **so as to have the benefit of its laws protecting them,** or, as it is sometimes expressed, owing temporary allegiance to that country, **we think that its laws would have bound them.**
>
> (emphasis added)

[32] This principle was expanded in *Carrick v. Hancock* [1895] 12 TLR 59, a case involving an action commenced in Sweden against an Englishman, in respect of business transacted in Sweden. The court held at p. 60 that:

> ... the jurisdiction of a Court was based upon the principle of territorial dominion, and that all persons within any territorial dominion owe their allegiance to its sovereign power and obedience to all its laws and to the lawful jurisdiction of its Courts. In his opinion **that duty of allegiance was correlative to the protection given by a state to any person within its territory.** This relationship and its inherent rights depended upon the fact of the person being within its territory. (emphasis added)

[33] The cases above involve the enforcement of judgments against individuals. However, the reasoning that he who has benefitted as a result of his presence in a foreign jurisdiction must be taken to be amenable to the process of the courts in that jurisdiction, would also apply to commercial entities.

The Requirement Relating To The Presence Of A Commercial Entity

[34] In respect of a commercial entity, its presence in a foreign jurisdiction has been accepted to mean the entity carrying on business in that jurisdiction.

[35] Paragraph 14-069 of *Dicey* states that:

> *Presence – legal persons.* Where a corporation is concerned neither residence nor presence has, of course, any real meaning. But there is a long line of cases dealing with the question *whether a foreign corporation does or does not carry on business in England so as to render itself amenable to the jurisdiction of the English courts at common law.* The principle of these cases applies also to the question whether a corporation is present in a foreign country so as to give its courts jurisdiction over it. (emphasis added)

[36] In *Okura & Co Ltd v. Forsbacka Jernverks Aktiebolag* [1914] 1 KB 715, the English Court of Appeal set out the requirements to be considered in determining whether a corporation is present in a jurisdiction, at p. 718:

> ... The point to be considered is, *do the facts shew that this corporation is carrying on its business in this country?* In determining that question, three matters have to be considered. First, the acts relied on as shewing that the corporation is carrying on business in this country must have continued for a sufficiently substantial period of time. That is the case

here. *Next, it is essential that these acts should have been done at some fixed place of business. If the acts relied on in this case amount to a carrying on of a business, there is no doubt that those acts were done at a fixed place of business.* The third essential, and one which it is always more difficult to satisfy, is that the corporation must be "here" by a person who carries on business for the corporation in this country ... (emphasis added)

[37] From *Okura*, the pertinent issue to be considered in determining the jurisdiction of a court is whether the corporation carries on business in that jurisdiction. As the case was decided in the early 1900s when businesses were commonly conducted in physical premises, it is of no surprise that the court concluded that carrying on business in a jurisdiction must mean having a fixed place of business in that jurisdiction.

[38] The court in *Littauer Glove Corporation v. FW Millington (1920)* [1928] 44 TLR 746 considered the principles in *Okura* and adopted the same approach, placing emphasis on there being some business in the foreign country, rather than a fixed place of business. The court held:

... He (His Lordship) **did not rely on the expression "fixed place", but on what was the fair meaning of "residence".** The inference which he drew from the cases cited was that **there must be some carrying on of business** at a definite and, to some reasonable extent, permanent place ... (emphasis added)

[39] In a relatively more recent decision which is relied on by the defendants, *Adams v. Cape Industries Plc* [1991] 1 All ER 929, the English Court of Appeal considered whether an English corporation trading in the US through its subsidiary and independent marketing representative could be considered to have presence in the US. After considering a long line of authorities, the court formulated the following general principles relating to the presence of a corporate defendant:

(1) The English court will be likely to treat a trading corporation incorporated under the law of one country (an overseas corporation) as *present within the jurisdiction of the courts of another country only if either (i) it has established and maintained at its own expense (whether as owner or lessee) a fixed place of business of its own in the other country and for more than a minimal period of time has carried on its own business at or from such premises by its servants or agents (a 'branch office' case), or (ii) a representative of the overseas corporation has for more than a minimal period of time been carrying on the overseas corporation's business in the other country at or from some fixed place of business.*

(2) In either of these two cases *presence can only be established if it can fairly be said that the overseas corporation's business (whether or not together with the representative's own business) has been transacted at or from the fixed place of business.* In the first case, this condition is likely to present few problems. In the second, the question whether the representative has been carrying on the overseas corporation's business or has been doing no more than

carry on his own business will necessitate an investigation of the functions which he has been performing and all aspects of the relationship between him and the overseas corporation.

(3) In particular, but without prejudice to the generality of the foregoing, the following questions are likely to be relevant on such investigation: (a) whether or not the fixed place of business from which the representative operates was originally acquired for the purpose of enabling him to act on behalf of the overseas corporation; (b) whether the overseas corporation has directly reimbursed him for (i) the cost of his accommodation at the fixed place of business, and (ii) the cost of his staff; (c) what other contributions (if any) the overseas corporation makes to the financing of the business carried on by the representative; (d) whether the representative is remunerated by reference to transactions (*eg,* by commission) or by fixed regular payments or in some other way; (e) what degree of control the overseas corporation exercises over the running of the business conducted by the representative; (f) whether the representative reserves (i) part of his accommodation, or (ii) part of his staff for conducting business related to the overseas corporation; (g) whether the representative displays the overseas corporation's name at his premises or on his stationery, and if so, whether he does so in such a way as to indicate that he is a representative of the overseas corporation; (h) what business (if any) the representative transacts as principal exclusively on his own behalf; (i) whether the representative makes contracts with customers or other third parties in the name of the overseas corporation, or otherwise in such manner as to bind it; (j) if so, whether the representative requires specific authority in advance before binding the overseas corporation to contractual obligations.

This list of questions is not exhaustive, and the answer to none of them is necessarily conclusive ... *Every case of this character is likely to involve 'a nice examination of all the facts, and inferences must be drawn from a number of facts adjusted together and contrasted': La Bourgogne [1899] P 1* at 18 per Collins LJ.
(emphasis added)

[40] From *Adams*, for a corporation to be present in a foreign jurisdiction, the corporation must carry on business within that jurisdiction, and "carrying on business" means that the corporation has established and maintained a fixed place of business for more than a minimal period of time. Even if the corporation does not have a fixed place of business within the foreign jurisdiction, it may still be regarded as being present in that jurisdiction if its agent or representative is carrying on the corporation's business within that jurisdiction for more than a minimal period of time.

The New Way Of Doing Business

[41] The cases referred to above placed emphasis on there being a fixed place of business in the foreign jurisdiction, before presence can be established. This is expected, given that businesses at that time were carried

out in physical premises. In the present day, technological advancements have resulted in many businesses having online presence, or even functioning entirely through electronic mediums. Many businesses now operate across borders, without having any physical presence in jurisdictions where they are conducting business or entering into commercial transactions.

[42] This new way of doing business has been recognised by courts in other common law jurisdictions, with the courts in Australia and Hong Kong approaching the concept of "carrying on business" without placing emphasis on there having to be a fixed place of business or physical presence in a jurisdiction.

[43] In *Facebook Inc v. Australian Information Commissioner & Anor* [2022] FCAFC 9, the Federal Court of Australia asked the following question:

> [74] Is it possible to conduct business in Australia without having any physical presence within the jurisdiction? The primary judge concluded that *'the means by which entities carry on business are constantly evolving'*. He then observed that *many of the cases in which the concept of carrying on business was discussed were 'decided long before the technological advances which underpin many forms of commerce'*. I agree with his Honour. *The concept of carrying on business must, of necessity, take its shape from the business being conducted* ...
> (emphasis added)

[44] The scope of what constituted "carrying on business" was examined in two earlier cases decided by the Australian courts, namely *Re Gebo Investments (Labuan) Ltd v. Signatory Investments Pty Ltd & Ors* [2005] NSWSC 544 and *Valve Corp v. Australian Competition And Consumer Commission* [2017] FCAFC 224 – both of which were referred to in Facebook.

[45] In *Re Gebo Investments*, the Supreme Court of New South Wales held that:

> [31] ... Case law makes it clear that the territorial concept of carrying on business involves acts within the relevant territory **that amount to or are ancillary to transactions that make up or support the business** ...
> (emphasis added)

[46] The court went on to hold, at para. [33], that the carrying on of business must involve some physical activity in Australia through human instrumentalities, being the activity that itself forms part of the course of conducting business.

[47] In *Valve Corp*, the Federal Court of Australia referred to the passage in para. [31] of *Gebo Investments* with approval, but disagreed with the emphasis placed by the Supreme Court of New South Wales on the requirement for "human instrumentalities". The court held that:

A [149] Although *Gebo Investments* concerned different statutory provisions, we consider the discussion of principles regarding carrying on business generally to be of assistance for present purposes. We do not, however, see the reference to "human instrumentalities" in the last sentence of [33] as laying down an inflexible rule or condition as to the circumstances in which an overseas company may be taken to be carrying on business in
B Australia. We would instead place emphasis on the statement at [31] of Gebo Investments that the case law makes clear that *the territorial concept of carrying on business involves acts within the relevant territory that amount to, or are ancillary to, transactions that make up or support the business.*

(emphasis added)

C **[48]** The Federal Court went on to find at para. [150] that *Valve Corporation,* a company based in Washington, US was indeed carrying on business in Australia, in view of amongst others, the number of customers it had in Australia (2.2 million) and the significant and ongoing revenue it earned as a result. The court held that:

D [151] These facts and matters establish that Valve had a business presence in Australia. Not only did Valve engage in transactions with a large number of Australian consumers, it owned servers in Australia upon which Steam content was "deposited" when requested by its Australian customers. **There was a series or a repetition of acts in Australia that formed part of the conduct of Valve's business.** (emphasis added)

E **[49]** A similar approach was taken in Hong Kong, in *Nagravision SA v. Zhuhai Gotech Intelligent Technology Co Ld* [2018] HKCU 2307. In this case, the plaintiff commenced an action to enforce a judgment entered by the US District Court of the Southern District of Texas against the defendants
F for copyright infringement. The defendants were involved in the production, supply and distribution of set-top boxes, which are used to view television or video services, whether free-to-air (*ie*, without payment) or through paid subscriptions for services. The business was carried out through a network of servers. The court found as follows:

G [77] I also have regard to the very nature of the 'G-Share' business of the defendants that gives rise to the claims of the plaintiff. *It is not comparable to an old style 'bricks and mortar' business nor does it require anything in the nature of 'boots on the ground' to operate.* It is also very different from the business of Mr Ainsworth that simply involved making use of the world-wide nature of the internet in order to advertise his product for sale to anyone
H worldwide. And finally it is also very different from the business of the company which is the subject of the decision in *Campbell v. Gebo Investments (Labuan) Limited* which sought to solicit customers (who might have been anywhere in the world, though the court there was only concerned with Australia) to purchase (making payment by credit card over the internet) imaginary shares on a simulated stock market (which was later described
I as nothing more than a pyramid scheme *ie*, fraud).

> [78] The alleged illicit business of the defendants, while in part internet based, does not operate by making use of a single server or small number of servers that might be located anywhere in the world but *consists of a substantial and sophisticated network of computer infrastructure both software and hardware that seemingly was deliberately positioned in the United States and was operated both locally by contractors in the United States acting on instructions as well as remotely.* And in so far as the business was operated 'remotely', the evidence so far available as to from where in fact such remote control was exercised is also far from clear. It certainly does not appear to follow that it was only ever from within the PRC or was never in fact from within the United States itself. (emphasis added)

[50] The court then went on to hold that the plaintiff has made out a good arguable case of the defendants' presence in the US, as there was substantial evidence of a local and/or physical connection or activities that form part of the course of conducting business in the US. Referring to *Adams*, the court held that:

> [80] ... each case requires careful investigation and consideration of the particular facts including the nature of activities undertaken and the relationship between any entities or persons within the jurisdiction and those overseas against whom judgment is sought to be enforced ...

[51] From the authorities cited, the position at common law is that the presence of a corporate entity in a jurisdiction is satisfied if the entity carries on business in that jurisdiction for a fixed minimum period in a fixed or physical place of business. Though a useful starting point to determine presence, I am of the view that the approach in *Dicey* and the cases that followed should not be taken as laying down an inflexible rule or condition as to the circumstances in which a party can be said to have presence in a foreign jurisdiction, particularly in the imposition of the requirement of a party's "physical presence" or "fixed place of business".

[52] Such an approach no longer reflects the practical realities of how trade and commerce are carried out in today's era of rapid technological development and globalisation. In this regard, it is important that common law continues to evolve to address the legal challenges brought about by the advancements of the internet and digital technologies.

[53] This sentiment was expressed by Australia's highest court in *Dow Jones & Company Inc v. Gutnick* [2002] 194 ALR 433. The case involves the publication of an article on WSJ.com, an online subscription-based news site, which the respondent who lived in Victoria, Australia, claimed to have defamed him. In agreeing with the lower courts that the jurisdiction of the Supreme Court of Victoria was regularly invoked in the commencement of the action in Australia, the High Court of Australia placed emphasis on the importance of common law adapting to the legal challenges brought about by the advancement of the internet. The court held:

A [90] The appellant accepted that it was requesting this court to take a large step in re-expressing the principles of the common law. However, it argued that the court should seek a bold solution because of the revolutionary character of the technology that had produced the need to do so. *Because the common law adapts even to radically different environments, this court was asked to be no less bold than the technologists who had invented and developed the Internet.*
B We were reminded of Judge Learned Hand's observation:

> The respect all men feel in some measure for customary law lies deep in their nature; we accept the verdict of the past until the need for change cries out loudly enough to force upon us a choice between the comforts of further inertia and the irksomeness of
C action.

...

[92] The idea that this court should solve the present problem by reference to judicial remarks in England in a case, decided more than 150 years ago, involving the conduct of the manservant of a duke, despatched to procure
D a back issue of a newspaper of minuscule circulation, is not immediately appealing to me. *The genius of the common law derives from its capacity to adapt the principles of past decisions, by analogical reasoning, to the resolution of entirely new and unforeseen problems. When the new problem is as novel, complex and global as that presented by the Internet in this appeal, a greater sense of legal imagination may be required than is ordinarily called for.* Yet the question remains whether
E it can be provided, conformably with established law and with the limited functions of a court under the Australian constitution to develop and re-express the law.

...

F [112] I accept that a number of arguments support this proposition. Involved in responding to it are important questions of legal principle and policy. The proposition cannot be answered by an enquiry limited to expressions of past law. *When a radically new situation is presented to the law it is sometimes necessary to think outside the square. In the present case, this involves a reflection upon the features of the Internet that are said to require a new and*
G *distinctive legal approach ...* (emphasis added)

[54] The High Court of Australia went on to highlight the urgent need to develop new rules to address legal problems posed by the internet:

> [119] The urgency of a new rule: *To wait for legislatures or multilateral international agreement to provide solutions to the legal problems presented by the*
H *Internet would abandon those problems to "agonizingly slow" processes of lawmaking. Accordingly, courts throughout the world are urged to address the immediate need to piece together gradually a coherent transnational law appropriate to the "digital millennium". The alternative, in practice, could be an institutional failure to provide effective laws in harmony, as the Internet itself is, with contemporary civil society* – national and international. The new laws would
I need to respect the entitlement of each legal regime not to enforce foreign legal rules contrary to binding local law or important elements of local

> public policy. But within such constraints, the common law would adapt itself to the central features of the Internet, namely its global, ubiquitous and reactive characteristics. In the face of such characteristics, simply to apply old rules, created on the assumptions of geographical boundaries, would encourage an inappropriate and usually ineffective grab for extra-territorial jurisdiction. (emphasis added)

[55] What is presented before this court is a legal issue that arises from the advancements of the internet and digital technologies, which have resulted in businesses being able to operate globally and across borders without having a fixed place of business or physical presence in the foreign jurisdictions in which they are operating. Since the internet boomed in the 1990s, digital technology has developed and will continue to develop at a rapid pace. The law has been playing catch-up with technology, and as such, it is more important than ever that common law evolves to address the challenges brought about by these rapid changes.

[56] This does not however mean that the approach in *Dicey* and earlier common law cases are completely disregarded. The starting point under common law is that an entity must be carrying on business in a foreign jurisdiction for its presence to be established in that jurisdiction. This starting point does not change. It is only the scope of what entails the carrying on of business in a foreign jurisdiction that must change, to adapt to the new commercial realities of today's digital and globalised world.

[57] It is on this basis that I find that it is not necessary for a corporate entity to have a fixed place of business in a foreign country before jurisdiction can be founded. The presence of a corporate entity in a foreign jurisdiction can be established if that corporate entity, though not physically present in the foreign jurisdiction, nonetheless actively carries on commercial activities and/or enters into transactions with residents of that jurisdiction, which make up or support the corporate entity's business. This same principle also applies to individuals who carry on business in a foreign jurisdiction, as the nature of e-commerce allows individuals to carry on business across borders in the same manner as corporate entities.

[58] The defendants relied on *Lucasfilm Ltd v. Ainsworth* [2009] EWCA Civ 1328, to support their argument that commercial activities through a website would not be sufficient to establish presence in a foreign jurisdiction. The case involves an English defendant advertising helmets through a website, and thereafter selling the items to customers in the US. The claimants had obtained a judgment for copyright infringement against the defendant and sought to enforce the US judgment in the United Kingdom. The English Court of Appeal found that the activities carried out by the defendant were insufficient to amount to the defendant's presence in the US.

[59] I find *Lucasfilm* to be distinguishable from the present case, as that case merely involved the defendant advertising and thereafter selling items that originated in the United Kingdom to the US. It is therefore unsurprising that the Court of Appeal found at para. [194] that for the purpose of establishing the jurisdiction of the US Court and enforcing the US judgment, the internet or a website is not fundamentally different from other business enablers, such as salesmen, post, telephone and telex. The internet was only seen as a delivery mechanism for the defendant's business.

[60] Ultimately, the extent to which the commercial activities of a party not present in a particular jurisdiction would qualify as the carrying on of the party's business in the jurisdiction is a question of fact. Several factors will need to be taken into account to answer this question, including the nature of the business, the activities and transactions carried out, and the relationships the party has established with residents of that jurisdiction.

[61] In the present case, the defendants actively offered online dating services in the US through an online platform, under which US residents can make connections with one another and enter into contracts with the defendants when using their services in the US. Additionally, the defendants' websites are the primary methods upon which the defendants offered their services and conducted their business in the US. Accordingly, the factual matrix in the present case is entirely distinguishable from *Lucasfilm*.

The Test Of Real And Substantial Connection

[62] To further refine the principle that a party need not have a physical place of business to establish its presence in a foreign jurisdiction, I considered the test developed by the Supreme Court of Canada – that of "a real and substantial connection" between the cause of action and the foreign court.

[63] This test was set out in *Beals v. Saldanha* [2003] 3 SCR 416, a case involving the enforcement of a judgment obtained in Florida relating to the sale of land in Florida against defendants, who are residents of Ontario, Canada. The Supreme Court held that:

> *22 Modern ideas of order and fairness require that a court must have reasonable grounds for assuming jurisdiction where the participants to the litigation are connected to multiple jurisdictions.*
>
> ...
>
> 32 The "real and substantial connection" test requires that a *significant connection exist between the cause of action and the foreign court. Furthermore, a defendant can reasonably be brought within the embrace of a foreign jurisdiction's law where he or she has participated in something of significance or was actively involved in that foreign jurisdiction.* A fleeting or relatively unimportant connection will not be enough to give a foreign court jurisdiction. The connection to the foreign jurisdiction must be a substantial one.

> 33 In the present case, *the appellants purchased land in Florida, an act that represents a significant engagement with the foreign jurisdiction's legal order.* Where a party takes such positive and important steps that bring him or her within the proper jurisdiction of a foreign court, the fear of unfairness related to the duty to defend oneself is lessened. If a Canadian enters into a contract to buy land in another country, it is not unreasonable to expect the individual to enter a defence when sued in that jurisdiction with respect to the transaction. (emphasis added)

[64] The test of real and substantial connection is not an alien concept in Malaysia, as it is set out in s. 23(1) of the Courts of Judicature Act 1964 ("CJA"). Section 23(1) requires certain considerations to be taken into account in determining the jurisdiction of the High Court. The section provides:

> (1) Subject to the limitations contained in Article 128 of the Constitution the High Court shall have jurisdiction to try all civil proceedings where -
>
> (a) **the cause of action arose;**
>
> (b) the defendant or one of several defendants resides or has his place of business;
>
> (c) **the facts on which the proceedings are based exist or are alleged to have occurred;** or
>
> (d) any land the ownership of which is disputed is situated,
>
> **within the local jurisdiction of the Court** and notwithstanding anything contained in this section in any case where all parties consent in writing within the local jurisdiction of the other High Court. (emphasis added)

[65] Considerations (a) and (c) under s. 23(1) of the CJA are in line with the real and substantial connection test in *Beals*. Based on these considerations, the jurisdiction of a High Court to try civil proceedings is established in circumstances where the cause of action and the facts of the case occurred within the jurisdiction of the High Court. This is consistent with the principle that the cause of action and the facts of the case have a real and substantial connection with the High Court hearing the case.

Public Policy

[66] I have taken also into consideration the defendants' argument that the recognition of the defendants' presence in a foreign jurisdiction as a result of commercial activities carried out using the defendants' websites is a violation of public policy.

[67] The defendants referred to *Jan De Nul (Malaysia) Sdn Bhd & Anor v. Vincent Tan Chee Yioun & Ors* [2019] 1 CLJ 1; [2019] 2 MLJ 413, where the Federal Court held that the public policy ground to set aside an

arbitration award can be invoked where there appears to be a violation of the most basic notions of morality and justice, and in an instance where to uphold the award would shock the conscience, or would be clearly injurious to the public good or wholly offensive to the ordinary reasonable and fully informed member of the public.

[68] I cannot (and do not) disagree with this proposition. However, I am unable to comprehend from the defendants' argument how the recognition of the defendants' presence in the US by the use of the defendants' websites to carry out commercial transactions would be a violation of the basic notions of morality and justice, or would be clearly injurious to the public good or wholly offensive to the ordinary reasonable and fully informed member of the public (in accordance with the test in *Jana De Nul*).

[69] Ultimately, the US judgment relates to the infringement of the plaintiffs' trademarks. Malaysia has laws in place to protect intellectual property, including trademarks. With this in mind, I am of the view that the court's recognition of the defendants' presence in the US which ultimately results in the enforcement of the US judgment, which relates to trademark infringement, is not a violation of public policy in Malaysia.

[70] Further, the issues raised by the defendants do not qualify as arguments on violations of public policy. Instead, they appear to be concerns raised that the principle of recognising presence where commercial transactions are carried out through websites has far-reaching consequences. I find these concerns to be unwarranted. Applying the principle, the jurisdiction of a foreign court will be recognised where a website operator has actively carried on business in that jurisdiction, by carrying out commercial activities and/or entering into transactions with residents of that jurisdiction. The mere fact that a website is accessible in a foreign jurisdiction without any other evidence of commercial activities, is insufficient to establish a foreign court's jurisdiction over the operator.

Conclusion

[71] The court accepts the common law position that a foreign court's jurisdiction over a corporate entity is established when the entity is present in that jurisdiction by carrying on business there. However, the requirement that the carrying on of business must entail physical presence or a fixed place of business is no longer in line with the commercial realities of doing business in the inter-connected and globalised world we are in today. As such, the court finds that the presence of a corporate entity or an individual in a foreign jurisdiction can be established if that corporate entity or individual, though not physically present in the foreign jurisdiction, nonetheless carries on commercial activities and/or enters into transactions with residents of that jurisdiction, which make up or support the corporate entity's business.

[72] Further, for a foreign court to have jurisdiction, there must be a real and substantial connection between the cause of action being pursued and the foreign court hearing the case. A party can only reasonably be brought before a foreign court if he has participated in a significant activity within the foreign jurisdiction, so as to confer the jurisdiction of the foreign court over that party.

[73] In the present case, the defendants are in the business of offering online dating and/or matchmaking services through the defendants' websites. Although the defendants were not physically present in the US, they carried on commercial activities and entered into transactions with US residents which support their business. In this regard, the defendants have, amongst other activities, launched the sugar book website in the US, advertised US based users in the sugar book website and prominently displayed US based users on the homepage of the sugar book website, posted blogs and online articles that demonstrate their active presence in the US, collected credit card payments from users in the US currency, and hosted servers in the US. The defendants have also claimed that the US is one of the countries where the first defendant has the most users.

[74] In view of the defendants' activities as described, the court finds that the defendants carried on business in the US and have established their presence in the US.

[75] The court further finds that the plaintiffs' cause of action against the defendants for infringement of the plaintiffs' trademarks has a real and substantial connection with the US Court. As the plaintiffs' trademarks are registered in the US and as trademark rights are territorial, the most appropriate forum to decide and enforce the plaintiffs' exclusive rights in the plaintiffs' trademarks in respect of the defendants' use of the same, would be the US Court.

[76] Based on the above findings, the court answers question 2 in the affirmative, namely that the requirement of a defendant's presence in the foreign jurisdiction is satisfied by virtue of the defendant's commercial and/or transactional relationship with the residents of the said foreign country through the defendant's operation of its domain addresses and/or websites which are accessible by the residents of the said foreign country.

[77] To find otherwise is in my view an affront to common sense, and would display complete ignorance of the technological breakthroughs these past few decades that have changed the way business is now carried out.

Question 3: Is The US Judgment Enforceable In Malaysia Having Regard To The Nature Of The Statutory Damages Awarded?

[78] Question 3 on the enforceability of the US judgment relates only to the fact that statutory damages were awarded against the defendants. The

defendants argued that the US Court acted *ultra vires* of its powers in awarding the damages, and that the damages are penal in nature and should not be enforced by this court.

[79] For the three reasons explained below, I am unable to agree with the defendants' argument.

[80] First, the defendants have not provided any evidence that the US Court had acted beyond its power in granting the damages.

[81] The US judgment and the consequent order for payment of damages were granted under the US Code s. 1117(c) (s. 35 of the Lanham Act) ("US law"), which provides as follows:

> (c) Statutory damages for use of counterfeit marks
>
> In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of -
>
> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
>
> (2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

[82] It is not in dispute that the statutory damages awarded by the US Court are within the range of possible damages under the US law. Therefore, the defendants' argument that the US Court was acting *ultra vires* when it granted the damages under the US law cannot be sustained.

[83] Second, I find the defendants' argument that the US judgment cannot be enforced due to:

a. The penal nature of the statutory damages; and

b. The damages being in contravention of public policy in Malaysia,

to also be unsustainable.

[84] In support of their argument, the defendants referred to *Halsbury's Laws of Malaysia, Conflict of Laws*, vol. 3(2) (2015 reissue), where it is stated at para. 90.031 that:

> *The Malaysian court will not enforce a foreign penal law, either directly or indirectly. A penal law is one which imposes punishment for some breach of duty to the state, as opposed to a remedial law directed to securing compensation for a private person*

> *who has suffered damage as a result of a breach of duty owed to him.* The question whether a foreign law is penal is determined by the Malaysian court and is not affected by the view taken by the courts of the foreign country ... (emphasis added)

[85] However, the statutory damages are awarded under the US law in connection with the plaintiffs' civil claim against the defendants. They are not founded upon public law. As such, the statutory damages cannot be said to be penal in nature.

[86] This was explained in *SA Consortium General Textiles v. Sun And Sand Agencies Ltd* [1978] 1 QB 279, where the English Court of Appeal examined the issue of the enforceability of a foreign judgment on the basis of a penalty. The court held as follows at p. 299G:

> ... It was said that the 10,000 francs were claimed as punitive or exemplary damages which amount to a penalty and would have been outlawed in England by *Rookes v. Barnard* [1964] AC 1129 and *Broome v. Cassell & Co Ltd* [1972] AC 1027: and therefore it should not be enforced as part of a foreign judgment.
>
> I cannot accept this view. *The word "penalty" in the statute means, I think, a sum payable to the state by way of punishment and not a sum payable to a private individual, even though it is payable by way of exemplary damages.* (emphasis added)

[87] In this case, the statutory damages awarded by the US Court are payable by the defendants to the plaintiffs, as between private litigants, and not to the state. Therefore, the damages awarded cannot be regarded as having a penal element which renders the US judgment unenforceable in Malaysia.

[88] The decision in *S.A. Consortium* was referred to in *Benefit Strategies Group Inc v. Prider* [2005] SASC 194 where it was decided that although the damages were described as punitive damages, there was no public element in the remedy being sought that would restrict the court from enforcing the foreign judgment. The Supreme Court of South Australia held that:

> [68] The judgment sought to be enforced in this case, although described as "punitive damages", **was a judgment in respect of a private right** for his alleged "brazen and fraudulent conduct". There was **no public element** in the remedy being sought. In my view, **it did not fall within the type of judgment which this Court would refuse to enforce on public policy grounds** relating to the non-enforcement of foreign penal or revenue laws. (emphasis added)

[89] The rationale behind the refusal to enforce a penal law or damages which are penal in nature (in the sense that they are related to public or criminal law) was explained in *Huntington v. Attril* [1892] UKPC 7. The court held that the rule is founded upon the principle that breaches of public law

A are local, and are only punishable in the country they are committed. A proceeding would only fall within the scope of this rule if it is in the nature of a suit in favour of the state whose law has been infringed.

[90] In the present case, the US judgment is founded on a cause of action based on private law, and between private litigants. As such, the enforcement B of the US judgment cannot be refused on the basis that the statutory damages are penal in nature, as the judgment is not entered in respect of a breach of public law.

[91] Further, I am unable to accept the defendants' argument that the statutory damages awarded are against public policy. The statutory damages C are awarded for infringement of intellectual property rights. The damages awarded are pre-established damages specifically provided for under art. 45 of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS Agreement"). Article 45 provides that:

D Article 45

Damages

1. *The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person's intellectual property right* by an E infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity.

2. The judicial authorities shall also have the authority to order the infringer to pay the right holder expenses, which may include appropriate attorney's fees. In appropriate cases, Members may authorize the judicial F authorities to order recovery of profits and/or payment of pre-established damages even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity. (emphasis added)

[92] As Malaysia is a signatory of the TRIPS agreement, the enforcement of a type of remedy provided for under the TRIPS agreement cannot be said G to be against Malaysian public policy. In addition, s. 37(1)(d) of the Copyright Act 1987 also provides for the grant of statutory damages as a relief for copyright infringement, while s. 56(3)(d) and (7)(c) of the Trademarks Act 2019 provides for the grant of additional damages. Thus, the Malaysian legislative framework for intellectual property also allows damages over and above compensatory damages to be awarded. In this H regard, the recognition of the US judgment cannot be said to undermine the Malaysian intellectual property legislative framework for intellectual property, as argued by the defendants.

[93] My third and final reason for rejecting the defendants' contention that I the US judgment should not be enforced having regard to the statutory damages awarded, is due to the defendants' failure to defend themselves in

the US Court. As they did not raise any issue in the US Court, I am of the view that the defendants cannot now challenge the probity of the statutory damages awarded in accordance with the US law, before this court.

[94] Based on the considerations and findings above, the court answers question 3 in the affirmative, namely that the US judgment is enforceable in Malaysia, having regard to the nature of the statutory damages awarded.

Decision

[95] In conclusion, the questions are answered by the court in the following manner:

(i) question 1: the Malaysian conflict of law rules apply in determining whether a foreign court has jurisdiction over a defendant against whom a judgment issued by the said foreign court is sought to be enforced in Malaysia;

(ii) question 2: the requirement of a defendant's presence in a foreign jurisdiction is satisfied by virtue of the defendant's commercial and/or transactional relationship with the residents of the said foreign country through the defendant's operation of its domain addresses and/or websites which are accessible by the residents of the said foreign country; and

(iii) question 3: the US judgment is enforceable in Malaysia having regard to the nature of the statutory damages awarded by the US Court.

[96] Following the court's answers to the questions, and pursuant to para. (2)(b) of the consent order, the court allowed the plaintiffs' claim with costs, and enforced the US judgment against the defendants.